

Alger County Transit Authority
Financial Statements
For the Year Ended September 30, 2008

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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Alger County Transit Authority
530 Munising Ave.
Munising, Michigan 49862

We have audited the accompanying financial statements of the business-type activities of the Alger County Transit Authority, as of and for the year ended September 30, 2008, which collectively comprise the Alger County Transit Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Alger County Transit Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Alger County Transit Authority as of September 30, 2008, and the respective changes in its financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2009 on our consideration of the Alger County Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Directors
Alger County Transit Authority

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alger County Transit Authority's basic financial statements. The schedules listed in the table of contents as other financial information are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

January 9, 2009

Alger County Transit Authority

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Alger County Transit Authority's financial performance provides an overview of the Alger County Transit Authority's financial activities for the year ended September 30, 2008. Please read it in conjunction with the financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- Net assets for the Alger County Transit Authority as a whole were reported at \$759,775. Nets assets are comprised of 100% business-type activities.
- During the year, the Alger County Transit Authority's total expenses were \$1,141,899, while revenues from all sources totaled \$1,064,897 resulting in a decrease in net assets of \$77,002.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 8 and 9) provide information about the activities of the Alger County Transit Authority as a whole and present a longer-term view of the Alger County Transit Authority finances.

Reporting the Alger County Transit Authority as a Whole

One of the most important questions asked about the Alger County Transit Authority's finances is "Is the Alger County Transit Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Alger County Transit Authority as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Alger County Transit Authority's *net assets* and changes in them. You can think of the Alger County Transit Authority's net assets – the difference between assets and liabilities – as one way to measure the Alger County Transit Authority's financial health, or *financial position*. Over time, *increases or decreases* in the Alger County Transit Authority's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Alger County Transit Authority's operating base and the condition of the Alger County Transit Authority's capital assets, to assess the *overall financial health* of the Alger County Transit Authority.

In the Statement of Net Assets and the Statement of Activities, we report all of the Alger County Transit Authority's activities as business-type activities because the Alger County Transit Authority charges a fee to residents to help it cover the cost of services it provides.

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Alger County Transit Authority as a Whole (Continued)

Table 1 provides a summary of the Alger County Transit Authority's net assets as of September 30, 2008 and 2007.

Table 1 Net Assets		
	2008	2007
Current and other assets	\$48,507	\$51,730
Capital assets, net	953,790	996,039
Total Assets	1,002,297	1,047,769
Current liabilities	209,576	180,353
Non-current liabilities	32,946	30,639
Total Liabilities	242,522	210,992
Net Assets:		
Invested in capital assets	953,790	996,039
Restricted for transportation	(194,015)	(159,262)
Total Net Assets	\$759,775	\$836,777

Net assets of the Alger County Transit Authority's business-type activities stood at \$759,775. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities stood at \$(194,015).

The \$(194,015) in unrestricted net assets represents the accumulated results of all past years' operations. The results of this year's operations for the Alger County Transit Authority as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2008 and 2007.

Table 2 Change in Net Assets		
	2008	2007
Operating Revenues	\$279,091	\$273,117
Operating Expenses:	1,141,899	1,029,327
Operating Income (Loss)	(862,808)	(756,210)
Non-Operating Revenues:		
Local	124,602	85,906
State	299,051	263,562
Federal	244,771	232,783
Capital Grants	138,293	233,884
Interest Income	180	419
Gain (Loss) on Sale of Capital Assets	(21,091)	(1,727)
Total Non-Operating Revenues	785,806	814,827
Changes in Net Assets	(77,002)	58,617
Net assets, beginning	836,777	778,160
Net Assets, Ending	\$759,775	\$836,777

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Alger County Transit Authority as a Whole (Continued)

The Alger County Transit Authority's total revenues were \$1,064,897. The total cost of all programs and services was \$1,141,899, leaving a decrease in net assets of \$77,002 as a result of fiscal year 2008 operations.

The net decrease of \$77,002 was due from \$138,293 in Capital Grant Revenue, \$176,459 in depreciation expense, loss on sale of assets of \$21,091 and a net loss of \$17,745 from the remaining operations. This Net Loss of \$17,745 from operations is due from a decrease of roughly 3.5% in State and Federal Operating reimbursement rates.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2008 and 2007, the Alger County Transit Authority had \$996,039 and \$922,207 respectively, invested in a variety of capital assets including land, buildings, and other equipment. (See table below)

	2008	2007
Buildings	\$930,920	\$930,920
Equipment and furnishings	302,385	228,413
Buses	783,853	746,912
	2,017,158	1,906,245
Accumulated depreciation	(1,063,368)	(910,206)
Totals	\$953,790	\$996,039

Debt

The Alger County Transit Authority has no outstanding debt at year end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In fiscal year 2009, we do expect an increase in fuel costs; however, a decrease in insurance costs should offset this. We may also receive a decrease in state operating revenue, but the millage revenue will see an increase. All in all, we expect to maintain the level of service provided on basically the same budget as fiscal year 2008.

CONTACTING THE ALGER COUNTY TRANSIT AUTHORITY FINANCIAL MANAGEMENT

This financial report is designated to provide our taxpayers, investors and creditors with a general overview of the Alger County Transit Authority's finances and to show the Alger County Transit Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Alger County Transit Authority Administrator at Alger County Transit Authority, P.O. Box 69, Munising, Michigan 49862.

ALGER COUNTY TRANSIT AUTHORITY
Statement of Net Assets
September 30, 2008

ASSETS

CURRENT ASSETS:

Fare Income Receivable	\$ 2,089
Due from State of Michigan	41,365
Prepaid Insurance	<u>5,053</u>

TOTAL CURRENT ASSETS 48,507

NON-CURRENT ASSETS:

Capital Assets, (Net of Accumulated Depreciated)	<u>953,790</u>
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TOTAL NON-CURRENT ASSETS 953,790

TOTAL ASSETS 1,002,297

LIABILITIES

CURRENT LIABILITIES:

Cash and Cash Equivalents - overdraft	83
Accounts Payable	78,169
Due to Commission on Aging	28,018
Accrued Payroll and Related Liabilities	26,998
Unearned Revenue	125
Line of Credit	<u>76,183</u>

TOTAL CURRENT LIABILITIES 209,576

NON-CURRENT LIABILITIES:

Compensated Absences	<u>32,946</u>
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TOTAL NON-CURRENT LIABILITIES 32,946

TOTAL LIABILITIES 242,522

NET ASSETS

Invested in Capital Assets - Net of Related Debt	953,790
Unrestricted	<u>(194,015)</u>

TOTAL NET ASSETS \$ 759,775

The accompanying notes to the financial statements are an integral part of this statement.

ALGER COUNTY TRANSIT AUTHORITY
Statement of Activities
For the Year Ended September 30, 2008

Operating Revenues	<u>\$ 279,091</u>
Operating Expenses:	<u>1,141,899</u>
OPERATING INCOME (LOSS)	<u>(862,808)</u>
Non-operating Revenues:	
Local	124,602
State	299,051
Federal	244,771
Capital Grants	138,293
Interest Income	180
Gain (Loss) on Sale of Capital Assets	<u>(21,091)</u>
TOTAL NON-OPERATING REVENUES	<u>785,806</u>
CHANGES IN NET ASSETS	(77,002)
NET ASSETS, BEGINNING OF THE YEAR	<u>836,777</u>
NET ASSET, OF THE YEAR	<u><u>\$ 759,775</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

ALGER COUNTY TRANSIT AUTHORITY
Statement of Cash Flows
For the Year Ended September 30, 2008

Cash Flows from Operating Activities:	
Collections from customers	\$ 351,315
Payments to employees and related items	(608,996)
Payments to vendors	(405,423)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(663,104)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(158,294)
Proceeds of Sale of Capital Assets	2,993
Capital Grant Funds to Purchase Capital Assets	138,293
Increase (decrease) in Line of Credit	19,417
Federal and State Sources	543,822
Local Sources	124,602
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>670,833</u>
Cash Flows from Investing Activities:	
Interest income	180
CASH FLOWS FROM INVESTING ACTIVITIES	<u>180</u>
NET INCREASE (DECREASE) IN CASH	7,909
Cash, Beginning of Year	(7,992)
CASH, END OF YEAR	<u><u>\$ (83)</u></u>

RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (862,808)
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	176,459
(Increase) Decrease in Fare Income Receivable	25,587
(Increase) Decrease in Due from Commission on Aging	46,562
(Increase) Decrease in Prepaid Insurance	457
Increase (Decrease) in Accounts Payable	(8,529)
Increase (Decrease) in Due to State of Michigan	(48,873)
Increase (Decrease) in Accrued Payroll and Related Liabilities	5,659
Increase (Decrease) in Unearned Revenue	75
Increase (Decrease) in Compensated Absence	2,307
Total Adjustments	<u>199,704</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (663,104)</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

ALGER COUNTY TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1 - Financial Reporting Entity

The accounting policies of the Alger County Transit Authority conform to generally accepted accounting principles in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the Alger County Transit Authority:

The Alger County Transit Authority, which was organized under State of Michigan, Public Act 196 of 1986, provides public transportation to the general public in Alger County, Michigan. The Alger County Transit Authority is governed by a six (6) member Board of Directors appointed by the Alger County Board of Commissioners.

2 - Basic Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Business-type activities rely to a significant extent on fees and charges for support.

3 - Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Business-type activities distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with principal ongoing operations.

The principal operating revenue of our business-type activities relate to charges to customers for sales and services. Operating expenses for business-type activities include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

4 - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with a maturity of three months or less when acquired.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Capital Assets and Depreciation

Capital assets are stated at cost or fair market value at the date of purchase/gift. Costs relating to maintenance and repairs are charged to expense, whereas those for betterments, with significant amounts, are capitalized. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as defined in the R&E Manual and/or as approved by BPT.

The eligible depreciation of \$6,643: \$176,459 total depreciation reported in PTMS Code 51300 for both Urban and Non-urban less ineligible depreciation of \$169,816 reported in PTMS code 55007 Ineligible Depreciation includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by BPT.

Compensated Absences

It is the Alger County Transit Authority's policy to permit employees to accumulate earned but unused paid time off. All paid time off pay is accrued when incurred.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Information

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. A budgetary comparison schedule is not presented as it is not legally required.

Fund Deficits

As of September 30, 2008, a deficit of \$194,015 existed in unrestricted retained earnings. The Alger County Transit Authority's financial condition relating to unrestricted retained earnings has improved from last year. Management is evaluating its ability to reduce daily operating expenses, and obtain other revenue sources. If such conditions cannot be obtained or received the ability of the Alger County Transit Authority to continue operations may be impaired. The Alger County Transit Authority is required to and has filed a deficit elimination plan with the Department of Transportation.

NOTE C – DEPOSITS AND INVESTMENTS:

The composition of cash and equivalents restricted and unrestricted, reported on the balance sheet are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and equivalents	<u>\$ (83)</u>	<u>\$ -</u>	<u>\$ (83)</u>

NOTE C – DEPOSITS AND INVESTMENTS (Continued):

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Alger County Transit Authority's deposits may not be returned to it. State law does not require and the Alger County Transit Authority does not have a deposit policy for custodial credit risk. The carrying amounts of the Alger County Transit Authority's deposits with financial institutions were \$ (83) and the bank balance was \$3,058. Of the bank balance, \$3,058 or approximately 100% was covered by federal depository insurance according to FDIC regulations.

Investments

As of September 30, 2008, the Alger County Transit Authority had no investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Alger County Transit Authority's investments. The Alger County Transit Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Alger County Transit Authority to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Alger County Transit Authority has no investment policy that would further limit its investment choices. The Alger County Transit Authority's investments are in accordance with statutory Alger County Transit Authority.

NOTE D – DUE TO/FROM OTHER GOVERNMENTAL UNITS:

Due from State Government

The Alger County Transit Authority receives funding from the State of Michigan for the Local Bus Operating Assistance Program. The computation of the amount due from the State of Michigan is as follows:

Net eligible expenses	\$763,824
Funding rate	36,1508%
Funding earned	\$276,128
Funding received	260,658
Due to state government for current year for local bus operating assistance	15,470
Net of all other state balances	25,895
Total due from State of Michigan	<u>\$41,365</u>

NOTE D – DUE TO/FROM OTHER GOVERNMENTAL UNITS (Continued):**Due to Federal Government**

The Alger County Transit Authority receives funding from the U.S. Department of Transportation under Section 5311 Operating Grants. The computation of the amount due to the Federal Government is as follows:

Net Eligible Expenses	\$758,524
Funding Rate	16.0000%
Funding Earned	\$121,364
Funding Received	\$87,852
Due from State Government	\$33,512

NOTE E – CHANGES IN CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2008 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$-	\$-	\$-	\$-
Sub-Total	-	-	-	-
Capital Assets Being Depreciated				
Buildings	930,920	-	-	930,920
Vehicles	802,984	84,322	47,381	839,925
Furniture and Equipment	172,341	73,972	-	246,313
Sub-Total	1,906,245	158,294	47,381	2,017,158
Less Accumulated Depreciation for:				
Buildings	384,498	46,805	-	431,303
Vehicles	383,912	108,438	23,297	469,053
Furniture and Equipment	141,796	21,216	-	163,012
Sub-Total	910,206	176,459	23,297	1,063,368
Net Capital Assets Being Depreciated	996,039	(18,165)	(24,084)	953,790
Capital Assets – Net of Depreciation	\$996,039	\$(18,165)	\$(24,084)	\$953,790

NOTE F – SHORT-TERM NOTES PAYABLE:

Short-term notes payable outstanding as of September 30, 2008 consists of the following:

Short-term note payable to bank:

- Original note \$46,053, unsecured, on June 2, 2008, with interest at 7%, due on December 2, 2008.
- Original note \$30,130, unsecured, on June 30, 2008, with interest at 7%, due on December 30, 2008.

	Beginning Balance	Additions	Deletions	Ending Balance
Short Term Note #1	\$46,198	\$-	\$145	\$46,053
Short Term Note #2	10,568	19,562	-	30,130
Total	\$56,766	\$19,562	\$145	\$76,183

NOTE G – SCHEDULE OF CONTRIBUTED CAPITAL:

Changes in contributed capital for the year ended September 30, 2008, consist of the following:

Capital Grants:

Balance, October 1, 2008		\$1,866,245
Add grants recognized:		
2007-0159/Z4	60,000	
2002-006/Z25	64,322	
2002-0006/Z24	13,971	
	<u>Total Grants</u>	138,293
Minus Disposals		(7,380)
Facility Share of current additions		-
		<u>1,997,158</u>
Balance, September 30, 2008		

Accumulated amortization:

Balance, October 1, 2008	892,072
Add - current amortization	169,816
Minus Disposals	(2,520)
Facility Share of current additions	-
	<u>1,059,368</u>
Balance, September 30, 2008	<u>\$ 937,790</u>
NET CAPITAL GRANTS, SEPTEMBER 30, 2008	

NOTE H – RISK MANAGEMENT:

The Alger County Transit Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Alger County Transit Authority is participating with other Transit Authority's in two separate Michigan Transit Insurance pools. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Alger County Transit Authority. Settled claims have not exceeded this coverage in any of the past four years.

The Michigan Transit Pool – Liability Trust Fund provides liability insurance to its members. Contributions to the Pool in excess of claim losses, expenses, and other costs may be refunded and the Pool may assess members a supplemental assessment in the event of deficiencies. The Pool limits the maximum net loss that may arise from large risks or risks in concentrated areas of exposure by reinsuring certain levels of risk with other insurers or reinsurers. The Alger County Transit Authority's insurance coverage is based on various types of risk and the maximum aggregate reimbursement cannot exceed \$1,000,000 for all claims. The Pool is responsible for paying specific claims up to \$250,000 in Medical claims and \$950,000 in General Liability claims from premiums collected and have purchased aggregate reinsurance in excess of these limits.

NOTE H – RISK MANAGEMENT:

The Michigan Transit Pool – Direct Property Damage Trust Fund provides direct property damage coverage to its members. Contributions to the Pool in excess of claim losses, expenses, and other costs may be refunded and the Pool may assess members a supplemental assessment in the event of deficiencies. The Fund uses excess insurance to reduce its exposure to individual claims in excess of \$100,000. The insurance policy permits the recovery of losses from the carrier in excess of this limit, but does not discharge the primary liability of the Fund as direct insurer of the risks insured.

The Alger County Transit Authority continues to carry commercial insurance for other risks of loss, including general liability, worker's compensation and employee health insurance.

NOTE I – COST ALLOCATIONS:

The Alger County Transit Authority has cost allocation plans for allocated expenses regarding Specialized Services, Job Access/Reverse Commute and Administration contract with the Alger County Commission on Aging. All allocation plans are approved by the Michigan Department of Transportation, Bureau of Urban and Public Transportation, Bus Transit Division. The plans have been adhered to in the preparation of the financial statements.

NOTE J – EXPLANATION OF INELIGIBLE EXPENSES PER THE BPT R&E MANUAL:

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). Audit costs are the only costs in which eligibility differs from the State R&E Manual and the Federal OMB Circular A-87.

In addition, all capital revenue used to pay for operating expenses has been subtracted out as ineligible expenses as line item Capital Contract Expenses on the Schedule of Operating Assistance Calculation.

Advertising Income did not have any related expenses. The advertising income was from a radio station, which paid for the purchase and installation of the signs on the buses, in prior years. Therefore, there are no expenses relating to this income in the current year.

Donated income is not considered an expense and is included in total expenses.

NOTE K – NON-FINANCIAL DATA:

The methodology used for compiling mileage on Non-Urban Regular Service Non-Financial Report has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

NOTE L – CONTINGENCIES:

Amounts received or receivable under grant programs are subject to audit and adjustments by the grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the Alger County Transit Authority. The amount if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Alger County Transit Authority expects such amounts, if any, to be immaterial.

OTHER FINANCIAL INFORMATION

ALGER COUNTY TRANSIT AUTHORITY
Schedule of Local Revenues
For the Year Ended September 30, 2008

Fare Box	\$	255,091
County Commission on Aging - Contract Fares		24,000
Advertising		17,950
Gain (Loss) on Sale of Capital Assets		(21,091)
Administrative Contract		33,000
Miscellaneous Revenue		42,032
Tax Levy		20,000
Local Operating Assistance		11,620
Interest Income		180
Total	\$	<u>382,782</u>

<u>Miscellaneous Revenue Breakdown</u>		
MTP Insurance Refund	@ \$	21,341
Workers Compensation Refund	@	691
Donations		<u>20,000</u>
Total Miscellaneous Revenue	\$	<u>42,032</u>

@ - Included with Ineligible Expenses

ALGER COUNTY TRANSIT AUTHORITY
Schedule of Federal and State Awards
For the Year Ended September 30, 2008

Federal and State Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures				Prior Year's Expenditures	Amount Remaining
				Total	Federal	State	Local		
U.S. Department of Transportation									
Passed Through Michigan Department of of Transportation									
Federal Transit Capital Grants	20.500								
Capital Grant--Section 5309 (80/20)		2007-0159/Z12	\$ 125,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,000
Capital Grant--Section 5309 (80/20)		2007-0159/Z9	75,000	-	-	-	-	-	75,000
Capital Grant--Section 5309 (80/20)		2007-0159/Z8	66,500	-	-	-	-	-	66,500
Capital Grant--Section 5309 (80/20)		2007-0159/Z4	60,000	60,000	48,000	12,000	-	-	-
Capital Grant--Section 5309 (80/20)		2002-006/Z25	147,261	64,322	51,458	12,864	-	-	82,939
Capital Grant--Section 5309 (80/20)		2002-006/Z24	65,000	13,971	11,177	2,794	-	4,983	46,046
Capital Grant--Section 5309 (80/20)		2002-006/Z19	75,000	-	-	-	-	-	75,000
Federal Transit Operating Grants	20.509								
Operating Assistance - Section 5311		2007-0159/Z6	121,364	121,364	121,364	-	-	-	-
Operating Assistance - Section 5311		FY 06-07	-	-	-	-	-	-	-
Operating Assistance - Section 5311		FY 05-06	(3,162)	(3,162)	(3,162)	-	-	-	-
Operating Assistance - Section 5311		FY 04-05	-	-	-	-	-	-	-
Rural Transit Assistance Program (RTAP)		N/A	3,500	3,500	3,500	-	-	-	-
Federal Job Access Grants	20.516								
Job Access - Section 5316		2007-0159/Z7	119,270	119,270	119,270	-	-	-	-
Michigan Department of Transportation									
Operating Assistance - Non-Urban - Act 51	N/A								
FY 07-08		N/A	276,128	276,128	-	276,128	-	-	-
FY 06-07		N/A	9,943	9,943	-	9,943	-	-	-
FY 05-06		N/A	(2,621)	(2,621)	-	(2,621)	-	-	-
FY 04-05		N/A	-	-	-	-	-	-	-
State Specialized Services Grants	N/A								
Specialized Services		2007-0159/Z5	18,763	18,763	18,763	-	-	-	-
TOTALS			\$ 1,156,946	\$ 681,478	\$ 370,369	\$ 311,109	\$ -	\$ 4,983	\$ 470,485

ALGER COUNTY TRANSIT AUTHORITY
Schedule of Operating and Contract Expenses
For the Year Ended September 30, 2008

	Specialized Services	Job Access	Non-Urban	Total
Expenses:				
Labor	\$ 8,104	\$ 51,517	\$ 357,385	\$ 417,006
Fringe Benefits	3,886	24,702	171,367	199,956
Services	752	4,783	33,181	38,716
Materials and Supplies	4,293	27,288	189,301	220,881
Utilities	520	3,309	22,952	26,781
Insurance	682	4,334	30,067	35,083
Taxes and Fees	20	127	879	1,026
Miscellaneous Expense	166	1,058	7,340	8,565
Interest Expense	339	2,153	14,935	17,426
Deprecation	-	-	176,459	176,459
TOTAL	<u>\$ 18,763</u>	<u>\$ 119,270</u>	<u>\$ 1,003,866</u>	<u>\$ 1,141,899</u>
Percentage Calculation	<u>1.94%</u>	<u>12.35%</u>	<u>85.70%</u>	<u>100.00%</u>

ALGER COUNTY TRANSIT AUTHORITY
Non-Urban Regular Service Revenue Report
For the Year Ended September 30, 2008

Code	Description	Amount
401:	Fare Box Revenue	
40101	Passenger Fares	\$ 255,091
40300	Contract Fares	24,000
406	Auxiliary Transportation Revenue	
40615	Advertising	17,950
407	Non-Transportation Revenue	
40760	Gain (loss) on Sale of Capital Assets	(21,091)
40799	Other Non-Transportation Revenue	75,032
408	Local Revenue	
40800	Taxes Levied Directly for/by Transit Agency	20,000
40910	Local Operating Assistance	11,620
411	State Formula and Contracts	
41101	State Operating Assistance	276,128
41102	Prior Year State Operating Assistance Adjustments	4,160
41114	State Other Capital Contract	27,659
45005	State Specialized Services	18,763
413	Federal Formula and Contracts	
40207	Federal Section 5316 Job Access	119,270
41301	Federal Section 5311 Operating	121,364
41313	Federal Capital Contract Administrative Expense	637
41314	Federal Other Capital Contract	110,634
41398	RTAP	3,500
414	Other Revenue	
41400	Interest Income	180
TOTAL REVENUES		<u>\$ 1,064,897</u>

ALGER COUNTY TRANSIT AUTHORITY
Non-Urban Regular Service Expense Report
For the Year Ended September 30, 2008

Code	Description	Operations	Maintenance	Gen. Admin.	Total
501	Labor				
50101	Operator's Salaries and Wages	\$ 262,689	\$ -	\$ -	\$ 262,689
50102	Other Salaries and Wages	2,584	24,121	84,849	111,554
50103	Dispatcher's Salaries and Wages	42,763	-	-	42,763
502	Fringe Benefits				
50200	Other Fringe Benefits	109,282	17,518	39,605	166,405
50201	Pensions	20,754	2,568	10,229	33,551
503	Services				
50302	Advertising Fees	756	-	22,310	23,066
50305	Audit Cost	-	-	5,300	5,300
50399	Other Services	7,038	956	2,356	10,350
504	Materials and Supplies				
50401	Fuel and Lubricants	163,264	-	-	163,264
50402	Tires and Tubes	10,992	-	-	10,992
50499	Other Materials and Supplies	39,379	574	6,672	46,625
505	Utilities				
50500	Utilities	26,781	-	-	26,781
506	Insurance				
50603	Liability Insurance	30,775	-	-	30,775
50699	Other Insurance	-	-	4,308	4,308
507	Taxes and Fees				
50700	Taxes and Fees	1,026	-	-	1,026
509	Miscellaneous Expense				
50902	Travel, Meetings, and Training	-	153	3,392	3,545
50903	Association Dues and Subscriptions	-	-	1,870	1,870
50999	Other Miscellaneous Expenses	-	-	3,150	3,150
511	Interest Expense				
51102	Interest on Short-Term Debt	-	-	15,849	15,849
51103	Interest on State Advances	-	-	1,073	1,073
51200	Operating Leases and Rentals	400	-	104	504
513	Depreciation				
51300	Depreciation	176,459	-	-	176,459
550	Ineligible Depreciation and Ineligible Charter				
55007	Ineligible Depreciation	169,816	-	-	169,816
560	Ineligible Auxiliary and Non-Transportation Expenses				
56001	Other Ineligible Expenses Associated with Auxiliary and Non-Transportation Revenue	-	-	27,079	27,079
550	Ineligible State Contracts				
55004	Other Ineligible State Contracts	18,763	-	-	18,763
574	Ineligible FTA Contracts				
57402	Ineligible RTAP	-	-	3,500	3,500
576	Ineligible Federal Contract with State Match and/or Local Match				
57099	Other Ineligible FSL	119,270	-	-	119,270
57603	Other Ineligible Operating Expense Paid by Capital Contract (FSL)	-	-	637	637
580	Ineligible Miscellaneous Expenses				
58002	Ineligible Interest on State Advances	-	-	1,073	1,073
55006	Other Ineligible Interest Expense	-	-	15,849	15,849
55009	Ineligible Percent of Association Dues	-	-	56	56
55010	Other Ineligible Expenses Associated - Insurance Refunds	-	-	22,032	22,032
58005	Ineligible Lobbying Expense	-	-	-	-
TOTAL EXPENSES					\$ 1,141,899
TOTAL INELIGIBLE EXPENSES					\$ 378,075
TOTAL ELIGIBLE EXPENSES					\$ 763,824

ALGER COUNTY TRANSIT AUTHORITY
Non-Urban Regular Service Non-Financial Report
For the Year Ended September 30, 2008

Public Service

Code	Description	Weekday	Saturday	Sunday	Total
611	Vehicle Miles	380,166	30,263	10,919	421,348

ALGER COUNTY TRANSIT AUTHORITY
Schedule of Operating Assistance Calculation
For the Year Ended September 30, 2008

	<u>Non-Urban</u>
Total Expenses	<u>\$ 1,141,899</u>
Less Ineligible Expenses:	
Depreciation	169,816
Administrative Contract	27,079
Various Refunds - @ - See Schedule of Local Revenue Breakout	22,032
Specialized Service Contract	18,763
RTAP	3,500
Job Access Contract	119,270
Capital Contract Expenses - 2007-006/Z25	637
Interest on State Advances	1,073
Interest on Short-Term Debt	15,849
Percent of Association Dues	56
Lobbying Expense	-
Total Ineligible Expenses per R & E Manual	<u>\$ 378,075</u>
Total State Eligible Expenses	<u>\$ 763,824</u>

Eligible Expenses for State Reimbursement	\$ 763,824
X Reimbursement Percentage	36.1508%
State Operating Assistance	<u>\$ 276,128</u>

Total Federal Eligible Expenses

Less Additional Federal Ineligible Expenses per A-87	
Audit Costs	<u>\$ 5,300</u>

Eligible Expenses for Federal Reimbursement	\$ 758,524
X Reimbursement Percentage	16.0000%
State Operating Assistance	<u>\$ 121,364</u>

COMPLIANCE SUPPLEMENTS



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Alger County Transit Authority
530 East Munising Ave.
Munising, Michigan 49862

We have audited financial statements of the business-type activities of the Alger County Transit Authority, as of and for the year ended September 30, 2008, which collectively comprise the Alger County Transit Authority's basic financial statements and have issued our report thereon dated January 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Alger County Transit Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alger County Transit Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Alger County Transit Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Alger County Transit Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Alger County Transit Authority's financial statements that is more than inconsequential will not be prevented or detected by the Alger County Transit Authority's internal control. We consider the deficiencies described in a separate letter to management, dated January 9, 2009 as item 08-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Alger County Transit Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alger County Transit Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in a separate letter to management dated January 9, 2009, as item 08-01.

The Alger County Transit Authority's responses to the findings identified in our audit are described in a separate letter to management, dated January 9, 2009. We did not audit the Alger County Transit Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board and management of the Alger County Transit Authority, and other federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

January 9, 2009



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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To the Board of Directors and Management of
Alger County Transit Authority
530 East Munising Avenue
Munising, Michigan 49862

In planning and performing our audit of the financial statements of the business-type activities and the aggregate remaining fund information of Alger County Transit Authority as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Alger County Transit Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

08-01 - EQUITY DEFICIT (REPEAT)

Condition/Criteria: At September 30, 2008 the Alger County Transit Authority had an unrestricted equity deficit of \$194,015. Public Act 275 of 1980 requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the Footnotes of the financial statements. In accordance with the Act, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, the Alger County Transit Authority has filed such a plan.

To the Board of Directors and Management of
Alger County Transit Authority

Effect: The Alger County Transit Authority is not in compliance with State Law.

Cause of Condition: Failure of operating revenues to cover operating expenditures in the current year.

Recommendation: We recommend that the Alger County Transit Authority monitor the fund closer in future years to ensure there are sufficient revenues to cover the expenditures each year.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Rochelle Cotey, Director
- Corrective Action Planned:
 - The revenue and expenditures will be more closely monitored.
- Anticipated Completion Date:
 - September 30, 2009

08-02 – SEGREGATION OF DUTIES

Condition/Criteria: The accounting staff of the Alger County Transit Authority is made up of one individual, which does not allow for segregation of duties.

Effect: Because of the limited staff, there is an increased chance that misstatements in financial statements would not be prevented or detected on a timely basis.

Cause of Condition: The size of the organization's accounting staff precludes certain internal design controls that would be preferred if the office staff was large enough to provide optimum segregation of duties.

Recommendation: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Rochelle Cotey, Director
- Corrective Action Planned:
 - The Transit Authority Board closely monitors all payments and reviews the financial statements on a monthly basis.
- Anticipated Completion Date:
 - September 30, 2009

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman, & Company, P.L.C.
Certified Public Accountants

January 9, 2009